



# Australia: Hospitals

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## Summary

Australia has a sophisticated and mature healthcare system. The public and private sectors provide funding for Australia's healthcare system, and the quality of health provided in both sectors is high. There are 755 public hospitals and 547 private hospitals. More than 90 percent of medical products in Australia are imported. The U.S. is Australia's principal supplier followed by the EU and Japan. There is a continuing need for high-quality, innovative, medical products. An ageing of the population will continue to contribute to the growth in demand for hospital services as the number of people over 65 years, who are reliant on health services, increases.

## Market Demand

Australia's health expenditure as a proportion of GDP is 8.8 percent, and is comparable to that in the other OECD countries such as Italy and the United Kingdom, but substantially less than that in the United States. The federal and state governments provide the majority of funding for health expenditure. The federal government funds approximately 50 percent of all health spending, the state governments 20 percent, and the private sector 30 percent. Public hospitals account for approximately 78 percent of the market share, and private hospitals account for 22 percent. The industry is experiencing growth in cases treated, but slow growth in bed numbers.

Australians are eligible for free public hospital services under the federal government's Medicare system. Each state government is responsible for administering and funding the public hospitals located within its jurisdiction. Large, urban hospitals provide the majority of complex services such as intensive care, major surgery, organ transplants, renal dialysis, and specialist outpatient clinics. Most acute care beds and emergency outpatient clinics are in public hospitals. Through the use of new surgical techniques, public hospitals have reduced both the number of hospital beds and the patient's average length of stay in an attempt to increase the number of patient separations.

Public hospitals dominate in emergency surgery and medicine, and tend to care for patients with serious illnesses requiring acute medical care. In 2005-2006, 90 percent of admissions identified as emergency interventions were in public hospitals.

The private hospital industry is a significant provider of healthcare in Australia. Federal government policies to increase the uptake of private health insurance have assisted to shift some demand from public to private hospitals. Approximately 45 percent of Australians have private health insurance.

Ownership of private hospitals is diverse and includes large corporate operators and religious operators including: Ramsay Healthcare, Affinity Health, and Healthscope. Private hospital activity is primarily funded by private health insurance. Private hospitals account for 32 percent of all hospital beds and provide 56 percent of all surgery.

In the past, private hospitals focused on providing less complex non-emergency care such as simple elective surgery. However, an increasing number are offering complex services such as intensive care services, and cardiac and oncology units. More than half of all surgery is performed in private hospitals, and private hospitals dominate in elective surgery.

The private sector's role has increased in several categories of care including: obesity procedures; sleep apnea; knee procedures; sinus, mastoid and complex middle ear procedures; major eye procedures; cerebral palsy, muscular dystrophy and neuropathy; spinal procedures; joint replacement and limb reattachments; hip replacements; chemotherapy; and major malignant breast conditions.

## Market Data

In 2005-2006, there were 755 public hospitals operating in Australia and 54,601 available beds. There were approximately 4.5 million patient admissions to public hospitals during this year. Over 3.8 million of these admissions were for public patients (87% of all admissions), while 400,000 were private patient admissions (9% of all admissions). Approximately 50 percent of all public hospital admissions in 2005-2006 were discharged on the same day. The national average length of stay for overnight patients was 6.6 days.

	Public	Private
<b>No. of hospitals</b>	755	547
<b>No. of beds</b>	54,601	26,227
<b>No. of separations</b>	4.5 million	2.9 million
<b>Average length of stay</b>	6.6 days	2.9 days

Source: Australian Bureau of Statistics, "2005-2006: Private Hospitals,"  
Department of Health and Ageing, "The State of Our Public Hospitals," June 2007

The majority of Australia's population of 20 million resides along the eastern seaboard of the country, in the states of New South Wales, Victoria, and Queensland. Public hospitals vary in size, range of services, degree of specialization, and the extent to which they engage in teaching in research.

	Total public hospitals	Day surgeries	Private hospitals	Total private hospitals	Total hospitals
<b>New South Wales</b>	230	88	86	174	404
<b>Victoria</b>	143	66	79	145	288
<b>Queensland</b>	177	51	56	107	284
<b>Western Australia</b>	91	16	23	39	130
<b>South Australia</b>	79	23	31	54	133
<b>Tasmania</b>	27	2	5	7	34
<b>Australian Capital Territory</b>	3	5	3	8	11
<b>Northern Territory</b>	5	1	1	2	7
<b>Total Australia</b>	755	252	284	536	1,291

Source: Department of Health and Ageing, "The State of Our Public Hospitals," June 2007

Private hospitals include day surgery centers, which provide specialized treatments such as gastroscopies and lens procedures on a day-only basis. The four main types of free-standing day hospitals are specialist endoscopy (28%), ophthalmic (22%), plastic/cosmetic (13%), and general (6.6%). Specialist endoscopy centers had the highest number of patient separations in 2005-2006 with 188,707 separations, followed by ophthalmic centers with 99,046. All other private hospitals deliver a wide range of services and provide for overnight stays. Private hospitals are able to provide 658 of the 661 different procedures and treatments undertaken in Australian hospitals.

Of the admissions to public hospitals in 2005-2006, 65 percent were for acute medical care, and 6 percent were for acute medical procedures. Maternity services accounted for 8 percent of admissions, while 18 percent of admissions were for surgery, and the remaining 3 percent were admitted for non-acute services.

<b>Most Common Medical &amp; Obstetric Conditions Resulting in Extended Hospital Stays, 2005-2006</b>	<b>Number of Admissions</b>
Cardiology & Interventional Cardiology	317,707
Respiratory Problems	206,933
Obstetrics	307,351
Renal Dialysis	725,927
Neurology	143,243

Source: Department of Health and Ageing, *"The State of Our Public Hospitals,"* June 2007

Approximately 71 percent of public hospital surgical admissions were for elective surgery. Public patient access to elective surgery is managed through waiting lists.

<b>Most Common Areas of Surgery Resulting in Extended Hospital Stays, 2005-2006</b>	<b>Number of Admissions</b>
Orthopedics	253,429
Neurosurgery	70,417
Vascular Surgery	40,122
Upper Gastrointestinal Surgery	62,376
Urology	119,431

Source: Department of Health and Ageing, *"The State of Our Public Hospitals,"* June 2007

There is a growing trend to co-locate private hospitals with public hospitals. Although operated separately, co-located hospitals have the potential to lower costs by sharing specialist services such as pathology and specialist doctors.

### **Best Prospects**

The Australian market for medical equipment is mature and sophisticated, competitive, and price-sensitive. More than 90 percent of medical products in Australia are imported. The U.S. is Australia's principal supplier followed by the EU and Japan. The Australian population is educated and generally expects state-of-the-art medical treatment. As a result, there is a continuing need for high-quality, innovative, medical products that can significantly improve clinical outcomes, and products with clearly-differentiated capabilities and capacities. Under the Free Trade Agreement between the U.S. and Australia, medical equipment continues to receive duty-free treatment. Many of the major U.S. medical companies are represented in Australia through local representatives of subsidiary offices.

Funding is a major issue faced by both private and public hospitals. With advances in technology, the average length of stay in hospitals has decreased, and same-day separations have increased. There are opportunities for U.S. products and services that address minimally-invasive surgical procedures and techniques, and contribute towards the trend in shorter hospital stays and day surgery. Day surgery represents more than 20 percent of all surgery performed. By boosting day procedures and day services offered, hospitals can make better use of existing infrastructure.

Overall demand for health services is a function of the health and demographics of the population. Australia has an ageing population that underpins continued growth in patient demand. Opportunities exist for products that meet the demands of an ageing population. In 2005-2006, 13 percent of Australia's population were aged 65 years and over. This proportion is expected to increase to 25 percent by 2047. The average life expectancy is anticipated to increase to 86 years for men and 90 years for women. The ageing of the population will accelerate from 2010 when the majority of the post-war baby boom generation reaches 65 years of age. In 2005-2006, patients aged 65 years and over comprised 35 percent of all hospital admissions and 47 percent of occupied bed days.

As a result of new medical technologies, both public and private hospitals are changing the delivery of patient care. Some treatments that previously required admission to hospital are now provided in outpatient clinics, community services, and through "hospital-in-the-home" programs. Although only a small proportion of hospital admissions are currently hospital-in-the-home admissions, hospitals are increasingly providing care in a patient's home if it is clinically appropriate and there is adequate support at home. Treatments for a wide-range of conditions can be provided, the most common are antibiotic treatments and chemotherapy.

## **Market Entry**

Hospital purchasing practices and public sector budgets for health spending has an important influence on the sale of medical equipment. As government health budgets struggle to meet demand, hospital administrators seek the best product available at the lowest possible cost.

Most major state-wide public hospital systems have moved towards centralized buying systems. The procurement process for public hospitals varies by state. State government contracts arrange procurement for standard, widely-used, high-volume items such as consumables. Hospitals tender, contract, and purchase independently those products that are: non-standard; irregular or one-off purchases; or complex items that are critical to the operation of a particular function within a hospital or a small number of hospitals, for example, cardiac stents. In some contracts, hospitals can select from an approved list of suppliers for certain items. Each public hospital has its own budget and has autonomy over its budget, except for very high-value items such as MRI and CAT machines. If no contract is in place, hospitals can tender for goods.

Private hospitals can either procure through a central procurement process between hospitals within a particular private hospital group, or they can make purchases on an individual hospital level.

## **Regulatory Environment**

The Australian Therapeutic Goods Administration (TGA) approves and regulates all medical equipment sold in Australia. The Australian Register of Therapeutic Goods (ARTG) is the central point of control for the legal supply of therapeutic goods in Australia and is the register for the import, export, or supply of therapeutic goods. To include a medical product on the ARTG requires an application to the TGA from an Australian sponsor of the product.

Australia's regulatory system is based on Global Harmonization Task Force (GHTF) and European Community (EC) guidelines, which facilitates approval for U.S. manufacturers with CE-marked devices. If a U.S. manufacturer does not have a EC certificate, the manufacturer should apply for a EC certificate from a European Union Notified Body. If this is not possible, the manufacturer can apply to the TGA for a Conformity Assessment Certificate and undergo conformity assessment by the TGA.

Further information on Australia's regulatory system for therapeutic goods can be obtained from the TGA's website: [www.tga.gov.au](http://www.tga.gov.au)

## Trade Events

### HOSPImedica Australia 2008

13-15 May, 2008

Sydney Convention and Exhibition Centre

[http://www.hospimedica-australia.com/general\\_info.html](http://www.hospimedica-australia.com/general_info.html)

*This is the first year that HOSPImedica is held in Australia. The exhibition will showcase hospital, diagnostic, pharmaceutical, medical and rehabilitation, equipment and supplies.*

## Resources & Contacts

Department of Health and Ageing

[www.health.gov.au](http://www.health.gov.au)

Therapeutic Goods Administration (TGA)

Website: [www.tga.gov.au](http://www.tga.gov.au)

## For More Information

The U.S. Commercial Service in Sydney, Australia can be contacted via e-mail at: [Monique.Roos@mail.doc.gov](mailto:Monique.Roos@mail.doc.gov); Phone: +61 2 9373 9210; Fax: +61 2 9221 0573; or visit our website: [www.buyusa.gov/australia](http://www.buyusa.gov/australia).

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